United States
Department of
Agriculture

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2000 Annual Program Performance Report

OFFICE OF THE CHIEF FINANCIAL OFFICER

OFFICE OF THE CHIEF FINANCIAL OFFICER (Revised 6/14/01)

FY 2000 ANNUAL PROGRAM PERFORMANCE REPORT

The Secretary established the Office of the Chief Financial Officer (OCFO) in 1995 under authority provided in Reorganization Plan No.2 of 1953 (7 U.S.C.2201) to comply with the Chief Financial Officer's Act of 1990. OCFO is responsible for oversight of financial management activities in the Department of Agriculture (USDA) and for direct management of 1,765 employees in OCFO at USDA headquarters in Washington, D.C., and the National Finance Center (NFC) in New Orleans. OCFO's duties include accounting and reporting responsibilities for program funds totaling more than $92 billion and management responsibility for nearly 37 percent of all debt owed to the U.S. Government. A major cross-servicing and operations facility, the NFC processes the payroll for 459,843 individuals or about 39 percent of the Federal workforce excluding the Postal Service and the Department of Defense. NFC also administers the Federal Government's $94.7 billion Thrift Savings Plan, which is the world's largest 401(k) retirement plan, for 2.5 million participants. In addition, OCFO administers and manages the Department's Working Capital Fund. The appropriation for OCFO is authorized by 7 U.S.C. 2201 and 31 U.S.C. 901ff, and the appropriation for the Departmental Working Capital Fund is authorized by 7 U.S.C. 2235.

This Annual Program Performance Report reflects the major accomplishments and milestones that USDA achieved in financial management during FY 2000. This report provides our stakeholders, the public and the Congress with a snapshot of USDA's major financial management initiatives, including our progress on the performance measures that serve as the core of this report. The OCFO mission is to create an environment in which USDA officials have and use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.

Only Federal employees were involved in the preparation of this report.

OCFO PERFORMANCE SUMMARY

Strategic Goal/ Management Initiative	FY 2000 Performance Goals	FY 1999 Actual	FY 2000 Performance Target	FY 2000 Performance Actual
Goal 1: Promote sound financial management through leadership, policy, and oversight.	Achieve an unqualified audit opinion on USDA's Consolidated Financial Statements. Number of stand-alone financial statements receiving unqualified opinions	3 of 6	3 of 6	3 of 6
	Promote timely correction of internal control deficiencies. Percent of audits where corrective action is proceeding as scheduled.	62%	70%	59%
	Percent of material FMFIA internal control deficiencies where corrective action is proceeding as scheduled.	60%	70%	55%
	Improve the ratio of collectable delinquencies to total receivables.	1.1%	1.0%	1.3%
	Increase percentage of payments made by electronic funds transfer (EFT).	72%	77.0%	75.0%
	Promote performance management and accountability throughout the Department. Issue Program Performance Report or Accountability Report by due date.	----	3/31/00	3/29/00
	Issue Department-wide Strategic Plan by due date.	----	9/30/00	9/29/00

OCFO PERFORMANCE SUMMARY				
Strategic Goal/ Management Initiative	**FY 2000 Performance Goals**	**FY 1999 Actual**	**FY 2000 Performance**	
			Target	**Actual**
Goal 2: Create an infra-structure to carry out financial management policies.	Implement the Foundation Financial Information System (FFIS). Percentage of total USDA workforce served	31%	46%	46%
Goal 3: Operate a financial center that produces timely and reliable information, and services.	Measure level of increase in customer satisfaction.	Approach developed	Establish baseline level of customer satisfaction	Baseline established at 88%
	National Finance Center to achieve the Capability Maturity Model (CMM) Level II Certification.	Action plan developed	Develop implementation procedures	Partially achieved/ requirements management procedures not completed in FY 2000
	Increase number of newly implemented payroll accounts (number of new employees).	3,250	10,000	19,178 over 2-years
	Annual increase in costs, exclusive of increases in research and development and costs associated with increased volume, is less than 50% of the increase in the sum of pay costs and inflation.	39% (increase)	Less than 50% (increase)	8% decrease

Goal 1: Promote sound financial management through leadership, policy and oversight.

Objective 1.1 Achieve an unqualified audit opinion on USDA's consolidated financial statements.

Key Performance Goal

Achieve an unqualified audit opinion on the USDA's Consolidated Financial Statements.
Number of stand-alone financial statements receiving unqualified opinions
Target: 3
Actual: 3

2000 Data: Financial statements are not audited until after the close of the fiscal year. Data shown for FY 2000 represent the opinion issued on the FY 2000 Consolidated Financial Statements. The quality of the data is verified by using OIG's audit report of the FY 2000 USDA Consolidated Financial Statements issued in February 2001.

Analysis of Results: USDA submitted its consolidated financial statements to the Office of Management and Budget (OMB) by the March 1 deadline in both 1999 and 2000. In addition, USDA has six stand-alone audits, three of which, the Food and Nutrition Service, the Rural Telephone Bank, and the Federal Crop Insurance Corporation audits, received unqualified (clean) audit opinions. The Rural Development Mission Area received a qualified opinion. However, the Commodity Credit Corporation (CCC) and Forest Service audits were not complete by the March 1, 2001 deadline, and therefore, had disclaimers of opinion as of that date. As a result, the USDA Consolidated Financial Statements received a disclaimer of opinion. The OIG is continuing to work to complete the audits for both the CCC and the Forest Service and will issue revised audit reports upon completion. The reports are expected to be completed by May 2001.

A major factor in USDA's goal to obtain a clean audit opinion is the Federal Government's credit reform efforts. Given its critical role in the arena, USDA established a Department-wide Executive Steering and Advisory Credit Reform Committee to improve the estimation/re-estimation and cost reporting for direct loan and loan guarantee programs. A credit reform working group comprised of personnel from USDA agencies, including Rural Development, (RD) the Farm Service Agency (FSA), and the Office of Inspector General, with the General Accounting Office (GAO), acting as advisor to the group, outlined a plan of action on major credit-related issues. The working group developed a consolidated plan to improve USDA's loan budgeting and accounting processes, which incorporated recommendations from GAO 's credit reform best practices and guidance for use by Federal agencies. USDA applies these standards to the credit reform budgeting and accounting processes performed by RD, FSA, and the CCC, for which FSA performs credit reform responsibilities.

USDA has made significant progress in reconciling USDA's fund balances with the Department of the Treasury. OCFO led the effort to identify and correct the systemic problems that cause out-of-balances with Treasury. OCFO has institutionalized a new Department-wide methodology for dealing with cash reconciliation. OCFO continues to work closely with Treasury as they and the OCFO re-engineer the cash reconciliation and reporting process.

Current Fiscal Year Performance: USDA and its agencies will continue to strive to improve accounting processes and practices that will result in the achievement of improved audit opinions within the Department. As stated previously, audits are on-going within the CCC and the Forest Service. CCC hopes to achieve an unqualified opinion on its financial statements for FY 2000. Additionally, the Forest Service hopes to achieve recognition for its efforts to improve controls over its real property and its Fund Balances with Treasury in its revised audit report for FY 2000.

USDA and its agencies will continue efforts to secure a qualified opinion on the Department's Consolidated Financial Statements for FY 2001 and an unqualified audit opinion on the Consolidated Financial Statements for FY 2002.

Program Evaluations: OIG 's financial statement audits of six required entities and consolidated financial statements are available at the OIG's home page www.usda.gov/oig.

Objective 1.2: Ensure prompt resolution of Department-wide audit and internal control findings.

Key Performance Goal

Promote timely correction of internal control deficiencies.

Percent of audits where corrective action is proceeding as scheduled.

Target: 70%

Actual: 59%

Percent of material FMFIA internal control deficiencies where corrective action is proceeding as scheduled.

Target: 70%

Actual: 55%

Fiscal Year	Audits with Corrective Actions on Schedule	Audits Without Final Action	Audits where corrective action is proceeding as scheduled (%)	Target (%)	Material Deficiencies on Schedule	Material Deficiencies Reported for FMFIA	FMFIA Deficiencies where corrective action is proceeding as scheduled (%)	Target (%)
1998	188	306	61.0		18	39	46.0	
1999	165	266	62.0	60.0	22	36	61.0	70.0
2000	147	250	59.0	70.0	18	33	55.0	70.0

2000 Data: The data for audits where corrective action is proceeding as scheduled were extracted from the Secretary's Management Report to Congress (SMR) as of September 30 for the years reported above, (1998, 1999, 2000).

OCFO extracted data regarding internal control deficiencies from the Federal Managers' Financial Integrity Act (FMFIA) report to the President listed in the table above (1998, 1999, 2000). Deficiencies include both material management control weaknesses and system nonconformances. Agency management reported status of these deficiencies as a result of internal reviews, OIG evaluations and reports, General Accounting Office (GAO) reports, and other sources. OIG reviews the accuracy of agency input in the FMFIA report during the annual financial statement audit.

Analysis of Results: USDA did not meet this performance goal. However, OCFO has increased oversight and emphasis on resolving outstanding audit recommendations. During the fiscal year, OCFO required that agencies develop detailed plans containing the major milestones required to complete corrective actions by the estimated completion date for the audit. Agencies are also required to prepare quarterly progress reports on the status of these planned actions beginning in October 2000.

The OCFO staff continued to work with agency management and OIG to ensure that actions agreed to in management decisions are achievable and cost-effective, correct identified deficiencies, and include an action plan for completion. These efforts resulted in a reduction in the number of audits without final action from 266 in 1999 to 250 in 2000.

Although USDA did not meet the performance target for FMFIA deficiencies, the Department as a whole made some progress. The number of material deficiencies continues to drop. There were 36 combined Section 2 and Section 4 weaknesses in FY 1999 compared to 33 in FY 2000, an 8% decrease. During FY 2000, estimated completion dates were revised for 15 material deficiencies. A variety of reasons were attributed to delays in completing corrective actions timely, including, but not limited to, the publication of regulations, proposed or final rules and changed priorities.

Current Fiscal Year Performance: During FY 2001, USDA anticipates improvement in the number and percentage of corrective actions proceeding as scheduled for both audits and material deficiencies. However, the FY 2001 target for performance has been revised downward to 63% for corrective actions proceeding as scheduled to be more in line with historical performance. OCFO implemented quarterly reporting requirements in order for USDA agencies to update their progress in completing major corrective action milestones for FMFIA deficiencies. The anticipated benefits of increased monitoring are expected to be seen during FY 2001.

Program Evaluations: OIG performed an audit of the Federal Managers' Financial Integrity Act Report and process as part of the USDA FY 2000 Consolidated Financial Statements Audit. The audit report disclosed concerns with the lack of timely corrective actions on longstanding material weaknesses and the Department's inability to provide reasonable assurance that its financial management systems conform with certain standards and principles. The report is available on the OIG's home page www.usda.gov/oig.

Key Performance Goal

Improve the ratio of collectable delinquencies to total receivables.

Target: 1.0%

Actual: 1.3%

Increase percentage of payments made by EFT.

Target: 77%

Actual: 75%

Fiscal Year	Total Receivables (In billions of dollars)	Collectable Delinquencies (In billions of dollars)	Actual Ratio (This figure should decrease)
1996	107.5	3.2	3.0
1997	104.5	2.1	1.9
1998	104.0	1.6	1.5
1999	103.4	1.2	1.1
2000	104.8	1.3	1.3

2000 Data: The receivables data are obtained from the FY 2000 Treasury Report on Receivables (TROR). The USDA agencies submit the receivables data quarterly to the Department of the Treasury (Treasury). The USDA agencies and OCFO verify the end receivable balances on TRORs are accurate and consistent with agency accounting systems and the consolidated financial statements. OIG audits the consolidated financial statements.

Analysis of Results: USDA constitutes about 37 percent of all non-tax debt owed to the Federal Government. The $104.8 billion portfolio includes loans for rural housing units, rural utilities, farm operating and disaster assistance, international export and development, and rural business enterprises. The FY 2000 delinquent receivables totaled $6.3 billion. Of this amount, only $1.3 billion is considered collectable delinquent debt. Uncollectable delinquencies include debtors bankruptcy, in litigation, payments from foreign or sovereign entities, or debts which have passed the statute of limitation for legal collectability.

Since the enactment of the Debt Collection Improvement Act of 1996 (DCIA), USDA has concentrated on reducing the ratio of collectable delinquent debt to the total receivables. The ratio represents the amount of collectable delinquent debt as a percentage of total amount of receivables. USDA fell short of the target ratio by 0.3 percent for FY 2000, because the amount of delinquent debt increased at a faster rate than the increase of total receivables. The weak farm economy, which did not benefit from the strong overall economy, was the primary reason for the increase in total receivables. However, during FY 2000, USDA had an average delinquency rate of about six percent, compared to the Government-wide average of 22 percent. Collections of delinquent USDA debt have almost tripled (from $63.2 million to $188.0 million) since 1996 as a result of DCIA and a greater reliance on referring debts for Treasury offset, cross servicing, Internal Revenue Service (IRS) 1099 reporting, and internal/external salary offset programs.

Fiscal Year	Salary Payments (millions)	Percent by EFT	Vendor Payments (millions)	Percent by EFT	Miscellaneous Payments (millions)	Percent by EFT
1996	4.7	84.0	1.8	3.0	9.4	8.0
1997	3.2	86.0	2.4	17.0	6.5	15.0
1998	2.7	92.0	2.1	18.0	6.8	35.0
1999	2.7	94.0	2.1	25.0	9.1	76.0
2000	3.0	96.0	2.2	31.0	10.6	78.0

The EFT data is from the Treasury Agency EFT Payment Report. The report is submitted to Treasury on a quarterly basis. The table above illustrate the progress made in the EFT program. The salary payment category is comprised of salaries, wage-withholdings, awards, and allotments (child support, Combined Federal Campaign, and garnishments). The vendor category is comprised of payments to contractors, businesses, utilities, and universities. Miscellaneous payments are comprised of interagency, loans, grants, and other program payments.

Fiscal Year	Total Payments (In millions of payments)	Total EFT Payments (In millions of payments)	Total EFT Payments (Percentage)
1996	15.9	5.0	31.4
1997	12.1	4.1	34.3
1998	11.5	5.2	45.2
1999	13.9	10.0	72.0
2000	15.8	11.8	75.0

The table shows that 75 percent of USDA's 15.8 million payments during FY 2000 were by EFT, up from 31 percent in FY 1996. USDA's FY 2000 EFT percent matched the Government wide goal for FY 2000 of 75 percent and the Government wide actual rate of 75 percent. Matching the Government wide EFT rate is a notable accomplishment because USDA is a large decentralized agency operating in many rural and remote locations. The miscellaneous payment category EFT rate increased from 8 percent in FY 1996 to 78 percent in FY 2000. This reflects an exceptional effort by all USDA agencies. During FY 2000, USDA paid 31 percent of vendors by EFT compared to a Government wide vendor rate of 59 percent. EFT payments to vendors continue to be a primary challenge for USDA, as it is for agencies across the Federal Government. The issues to be addressed are vendor awareness of the EFT requirements, adequate addenda information for vendors to reconcile invoices and payments, and EFT requirements in contracts in order to increase compliance by vendors.

Current Fiscal Year Performance: OCFO is on track to meet this performance goal. The debt collection efforts include increased usage of the Treasury Offset Program, cross-servicing, internal offset of USDA payments, and the use of private collection contractors. USDA plans to participate on Treasury's Vendor Workgroup to address Government wide and USDA vendor issues; mail inserts with vendor checks explaining the EFT requirements and providing sign-up information; implement the Payment Advice Internet Delivery (PAID) system to provide addenda information; and work closely with the procurement community to ensure that EFT requirements are included in contracts.

Program Evaluations: None.

Objective 1.4: Promote performance management and accountability throughout the Department.

Key Performance Goals

Issue Annual Program Performance Report or Accountability Report by due date.
Target: 3/31/00
Actual: Transmitted on 3/29/00
Issue Department-wide Strategic Plan by due date.
Target: 9/30/00
Actual: Transmitted on 9/29/00

2000 Data: The data for identifying the issue dates of the Annual Program Performance Report and Department-wide Strategic Plan are derived from the Transmittal letters signed by the Secretary of Agriculture. Transmittal letters formally transmit these documents to the President and the Congress. Target dates are derived from the Government Performance and Results Act (GPRA), of 1993, and the Office of Management and Budget's (OMB) Circular A-11.

Analysis of Results: OCFO met its performance targets by issuing USDA's FY 1999 Annual Program Performance Report and its Department-wide Strategic Plan for FY 2000 - 2005 on or before the due dates established by GPRA and OMB Circular A-11. Working with the agencies and mission areas of the Department, OCFO led USDA in developing and submitting these requirements.

During FY 2000, OCFO initiated the Department's transition efforts from an individual agency approach to a corporate performance management approach. This will have the effect of establishing USDA level plans and reports designed to meet the GPRA requirements, rather than separate documents for each agency of USDA. The first milestone of this transition was completed with the creation and submission of the Department-wide Strategic Plan. It represents USDA's combined efforts to establish and implement a corporate management approach to strategic planning.

Current Fiscal Year Performance: OCFO has continued to work with agency GPRA Coordinators and a Department-wide Planning Team to develop both a Department-wide Annual Performance Plan and Annual Program Performance Report that is in alignment with USDA's new Strategic Plan for FY 2000 - 2005. The issuance of these documents is scheduled to coincide with the requirements of GPRA and OMB's Circular A-11 for FY 2001.

Program Evaluations: GAO conducted a review of the U.S. Department of Agriculture's FY 1999 performance report and FY 2001 performance plan. On June 30, 2000, GAO issued their observations on USDA's plan and report for 5 key outcomes and major management challenges facing the Department. This review, titled Observations on the U.S. Department of Agriculture's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan (GAO/RCED-00-212R USDA's FY 1999 Performance Report and FY 2001 Performance Plan), can be downloaded from GAO's homepage at www.gao.gov.

The Mercatus Center conducted an evaluation of the U.S. Department of Agriculture's FY 1999 performance report. On May 3, 2000, the Center issued their evaluation that was designed to answer three questions: 1) Does the agency report its accomplishments in a transparent fashion?; 2) Does the report focus on documenting tangible public benefits that agency produced?; and 3) Does the report show evidence of forward-looking leadership that uses performance information to devise strategies for improvement? This evaluation, titled Performance Report Scorecard: Which Federal Agencies Inform the Public, can be downloaded from the Center's homepage at www.mercatus.org.

Goal 2: Implement an integrated financial management information system for USDA.

Key Performance Goal

Implement the Foundation Financial Information System (FFIS).
Target: 46%
Actual: 46%

USDA FFIS Implementations

Fiscal Year	Total USDA Employment	Number of USDA Employees Served	Percentage of Total USDA Workforce
1999*	99,142	30,637	31%
2000*	95,142	46,235	46%
2001*	99,142	77,400	78%

*effective October 1.

2000 Data: The source of the data to compile the number of employees and percentage of the total USDA workforce using FFIS is a report entitled "Total FTE Employment: Max Schedule Q Detail," as of 12/27/00. In FY 1997, two regions and a research station of the Forest Service and the Office of the CFO implemented FFIS. In FY 2000, the remainder of the Forest Service and the Food Safety and Inspection Service implemented FFIS. In FY 2001, the Natural Resources Conservation Service, Rural Development, Animal and Plant Health Inspection Service, and Farm Service Agency implemented FFIS. The implementation of FFIS occurs when the agency begins the new year's financial management processing in FFIS and converts the open items, ledger balances and budget authority from the legacy accounting system. There were also Financial Data Warehouse technology improvements, a new capability to produce the USDA consolidated Financial Statements and an automated Cash Reconciliation Worksheet System implemented FY 2001. All of these FFIS initiatives and achievements are part of the USDA CFO's plan to improve and integrate financial management at USDA.

Analysis of Results: During FY 2000, USDA initiated a financial data warehouse technology upgrade to incorporate the use of on-line analytic processing (OLAP) tool. In addition, the USDA implemented an automated tool, as part of financial data warehouse, to support the production of the USDA Consolidated Financial Statements and to address the financial management integrated reporting requirements. The financial data warehousing strategy provides the major financial management reporting for the USDA agencies and supports a corporate reporting strategy which includes a financial statements capability.

Current Fiscal Year Performance: The financial data warehouse provides the major financial management reporting for the USDA agencies and supports a corporate reporting strategy which includes a financial statements capability. As of FY 2001, FFIS now serves 77,400 employees or 78% of the USDA workforce and represents an important step toward improving USDA's financial accountability. It is also an important milestone in realizing the Secretary's commitment to financial management. In FY 2001, the USDA implemented an automated tool to support the production of the USDA Consolidated Financial Statements and to address the financial management integrated reporting requirements and an automated Cash Reconciliation Worksheet System was implemented to address major cash reconciliation issues that have plagued the USDA. These are two additional pieces in the financial management architecture being implemented at USDA through the FFIS initiative.

The FFIS Executive Steering Committee continues to oversee the project. Additionally, the Acting CFO is heading a group to develop a strategy for replacing the administrative systems providing data to FFIS to ensure the integrity of financial data from other sources. The corporate administrative system committee is an executive-level USDA initiative chartered by the previous Secretary and headed by the USDA CFO. This initiative addressed the administrative systems priorities in the Department and provided a strategy for funding these priorities. This committee designated 9 administrative system priorities; FFIS is priority number 1. The committee has worked effectively to receive Congressional acceptance to use unobligated balances to fund these priorities following approval of an overall plan.

Program Evaluations: OIG concluded a year-end FY 1999 FFIS evaluation OIG Report #50801-7-FM. This FY 1999 evaluation primarily focused on the legacy feeder systems and cash reconciliation issues. The Automated Cash Reconciliation Worksheet System was implemented to address the ongoing cash reconciliation issues and significant changes were made to the FFIS processing paradigm to decouple payroll processing and prevent cash reconciliation issues. The second major program evaluation addressed the ongoing architecture issues related to the legacy feeder systems. Significant analysis was performed during FY 2000 to identify feeders that could be integrated into the corporate systems. The potential integration of feeders into FFIS and other corporate systems or using service providers will be reviewed and planned during FY 2001.

Goal 3: Operate a financial center that produces timely and reliable information and services.

Objective 3.1: Improve efficiency and customer satisfaction with National Finance Center (NFC) operations.

Key Performance Goal

Measure level of increase in customer satisfaction
Target: Develop Baseline
Actual: Baseline of Customer Satisfaction established at 88%

2000 Data: During FY 1999 NFC made the determination to use both formal and informal means to assess customer satisfaction. The formal surveys were released during FY 2000 according to the following schedule:

January - June 2000	Help Desk Survey
July - September 2000	Web Survey
January - June 2000	Trained Customers Survey

FY 2000 surveys were distributed to customers who: (1) contacted the help desk; (2) represent each of the Departments serviced by NFC (Chief Financial Officers and Chief Information Officers); and (3) were trained by NFC representatives. Actual satisfaction result levels for each group were: Help Desk Survey = 100% Satisfied; Web Survey = 50% Satisfied; Trained Customers Survey = 87.9% Satisfied.

Analysis of Results: The FY 2000 survey results indicate that 88% of our customers are satisfied with the products and services offered by NFC. This compares favorably with survey results during FY 1996-1997 which indicated an 85% level of customer satisfaction, although with a different survey.

Current Fiscal Year Performance: Since the baseline of 88% customer satisfaction has been established, National Finance Center's goal for FY 2001-2002 is to identify and analyze suggestions offered by customers which will lead to improvements against that baseline.

Program Evaluations: None.

Key Performance Goal

National Finance Center to achieve Capability Maturity Model (CMM) Level 2 certification.

Develop implementation procedures
Target: Develop implementation procedures
Actual: Partially achieved/requirements management procedures not completed in FY 2000

2000 Data: The Applications Systems Division, which is the lead division for NFC systems development, has established teams and policies to facilitate development of processes and procedures to support achievement of the Capability Maturity Model (CMM) Level 2.

Analysis of Results: NFC Partially achieved the performance target. Technical groups have been established to develop processes for Requirements Management and Project Management. The

Requirements Management team has completed development work and is now proceeding with pilot and implementation activities. The Project Management team is in the developmental stages and will be developing a process through the first three quarters of FY 2001. As reported last year, NFC has already achieved CMM Level 2 for its Thrift Savings Plan Division, which means that CMM compliant software project management practices are in place and could be institutionalized within NFC. Our challenge continues to extend this process to the other development areas of the Center.

The Software Engineering Process Group (SEPG) is now positioned to support and advocate the implementation of the Software Process Improvement Plan. Orientation sessions have introduced selected staff to CMM and the roles and responsibilities of the SEPG. The establishment of dedicated teams and the identification of needed policies have laid the groundwork for additional movement toward CMM Level 2. Team meetings and discussions of processes and procedures have provided a better understanding of the volume and character of the pending workload. Additionally, these activities have given the organization better insight into its capacity to address the backlog of pending projects and maintenance. Understanding these issues is essential to tailor best practices to manage NFC's workload and place NFC in a position to better measure the impact of improvements.

Current Fiscal Year Performance: NFC continues to focus on five of the key areas of CMM needed to achieve full success: Requirements Management, Software Project Planning, Software Project Tracking and Oversight, Software Configuration Management, and Software Quality Assurance, but the realities of workplace priorities and increased demand for already scare resources will likely result in NFC implementation of CMM exceeding the norm of 32 months. Acknowledging the importance of progress, however, CMM Level 2 achievement continues as a corrective action in the Office of the Chief Financial Officer FMFIA FY 2000 Report and is being tracked and reported as an action item.

Program Evaluations: None.

Objective 3.2: Expand the NFC customer base to increase volume and reduce unit cost.

Key Performance Goal

Increase number of newly implemented payroll accounts (number of new employees)

Target: 10,000
Actual: 19,178 (over two years; includes 1999-2000)

2000 Data: During FY 1999 and FY 2000, NFC implemented 19,178 employees of new customer agencies into its payroll system. Accomplishing this FY 2000 goal was contingent on converting one-half of FSA's nearly 20,000 county office employees into NFC's payroll system in FY 1999 and the balance in FY 2000. Due to the large number of FSA sites, the total implementation spanned a 2-year period.

Analysis of Results: The number of new clients to be added, their location, and the number and complexity of transactions associated with them among other things affect the time it takes to implement new clients. Because of the complexity and interrelationship of all of these factors, NFC determined in FY 1999 that the 10,000 target for a single fiscal year is not always reasonable. Accordingly, the 10,000 performance goal was revised to reflect a 2-year average, providing for a much better reflection of the factors which are behind the success of customer implementation.

In FY 2000, the remainder of the 18,000 employees of the Farm Service Agency were added to the system, along with 350 from the Federal Elections Commission, twenty eight from the U.S. Chemical Safety and Hazard Investigation Board, and 800 from the Court Services and Offender Supervision Agency. The size variance alone of the agencies implemented this year helps demonstrate the complexity of implementation planning, and at the same time demonstrates the results achievable in the competitive unit cost for all of our customers. The chart below reflects the reduction in unit cost pricing, resulting from the increased customer base.

Reduction in Unit Cost Pricing		
Average Number of Employees Paid Biweekly	Unit Cost	Fiscal Year
428,807	$106.52	1998
430,086	$102.36	1999
460,614	$101.73	2000

Current Fiscal Year Performance: To meet the 10,000 new accounts for future years, NFC's Customer Support staff is actively pursuing participants by demonstrating products and services at conferences and expositions and at meetings with potential clients. NFC is currently working with the U.S. Agency for International Development to parallel test its implementation of 2,200 employees into the Payroll/Personnel System early in FY 2001.

Program Evaluations: NFC 's budget is reviewed on an annual basis by the Working Capital Fund Executive Committee, which has broad representation from USDA agencies.

Key Performance Goal

<u>Annual increase in costs, exclusive of increases in costs supporting research and development or costs associated with increased volume, is less than 50 percent of the increase in the sum of pay costs and inflation, while maintaining high quality service</u>

Target: Less than 50 percent
Actual: 8 percent decrease

2000 Data: While NFC's total operating costs increased in FY 2000 compared to FY 1999, the increase in total NFC costs was due to the increase in the operating costs of the Thrift Savings Plan System (TOP), which are underwritten by the Thrift Investment Board (TIB) from participants' contributions and are external to the President's budget. Growth in the levels of service requested by TIB for its clients caused the rise in TOP costs. When TOP growth costs are subtracted from NFC's costs, NFC's operating costs actually decreased from FY 1999 to FY 2000. Even with the increase in development costs in FY 2000, NFC's net operating cost decreased from FY 1999 to FY 2000.

	FY 1999	FY 2000	Difference	Percent Change
NFC Operating Costs	**$150,427,318**	**$155,610,001**	**$6,482,683**	**4%**
NFC Operating Cost Excluding TOP	**$110,696,490**	**$104,831,485**	**($5,865,005)**	**(5%)**
NFC Development Cost	**$4,111,702**	**$7,040,265**	**$2,928,563**	**71%**
NFC Net Operating Cost (Excluding TOP	**$106,584,788**	**$97,791,220**	**($8,793,568)**	**(8%)**

Analysis of Results: NFC exceeded the performance goal. NFC's net operating costs decreased 8 percent from FY 1999 to FY 2000. The reduction did not negatively affect NFC's customers, and it is clear from customer feedback that USDA customers want more reductions in cost.

Current Fiscal Year Performance: NFC continues to focus on cost control and business process engineering efforts. In consultation with the OCFO, NFC is taking proactive steps in FY 2001 to position itself for the future and has the following cost management initiatives planned:

1. NFC has continued to investigate eliminating services or redirecting the responsibility for services from NFC back to the agencies.

2. NFC is implementing activity-based costing to support a "cafeteria" pricing methodology that will allow separate pricing for baseline service and optional service extras which can be directly billed. This pricing scheme would allow agencies to select the service level they require.

3. NFC is reducing staffing levels to the minimal level needed to support redefined service levels. NFC is staffing each billable system based on stated assumptions about what will occur on each system during the 2-year budget cycle. NFC assumed that there are two basic drivers of workload and subsequent staffing: trends in system volumes and the life cycle of the system.

Program Evaluations: NFC's operating budget, exclusive of support to the TIB, is subject to annual review by the Working Capital Fund Executive Committee and its working group.